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SUBJECT: CHINA-JAPAN DISPUTE OVER EAST CHINA SEA UPDATE

Classified By: Classified by Deputy Political Minister Counselor Ben Mo  
eling. Reasons 1.4 (b/d).

11. (C) Summary: Although Japan disputes China's assertion of its right to develop the Tianwaitian gas field in the East China Sea and has raised concerns at the highest level, the dispute is unlikely to derail Sino-Japanese relations, according to a Japanese Embassy contact in Beijing. Our source said that Japanese observation aircraft are monitoring the disputed field but emphasized that the Chinese military has not responded provocatively. Japan continues to hope the disagreement can be resolved by using a median line demarcation between China and Japan. End Summary.

#### China Publicly Announces Right to Develop Gas Field

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12. (U) In response to Japanese media reports of Chinese development of the Tianwaitian (Japanese: Kashi) gas field, PRC Foreign Ministry spokesman Qin Gang said January 4 the field "was under the administration of China's undisputed territorial water" and that "there is no basis for raising the issue of joint development in such areas." See <http://news.xinhuanet.com> for more on China's public stance.

#### Japanese Disagree

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13. (C) Japanese Embassy First Secretary Akira Yokochi told EmbOffs on January 9 that the MFA knows its "undisputed" assertion is incorrect. Yokochi acknowledged that the Tianwaitian field lies on the Chinese side of the median line that Japan has long proposed as the maritime border between the countries. He argued that the field is within the area where the Chinese and Japanese exclusive economic zones (EEZs) overlap and that until that dispute is resolved Japan does not cede its rights within the confines of its EEZ and China has no right to develop the field. (NOTE: China rejects the median line and claims a much broader swath of the East China Sea based on its continental shelf, vice median line, argument.)

#### Details of the Sino-Japanese Agreement

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14. (C) There are several possible gas fields in the disputed region. Yokochi said the agreement reached between China and Japan on the East China Sea in June 2008 included consensus to develop the northernmost disputed field jointly. On "the others," he said the two sides would continue to consult, which Japan understood to mean no development. He indicated that the Chinese took advantage of the fact that the "other" fields were not clearly enumerated in order to develop of the Tianwaitian field. Yokochi surmised that China might already be at the production stage, though would likely be disappointed with the amount of gas and oil it would be able to extract. He added that Japanese requests for geophysical

data to ensure that China would not be sucking hydrocarbon reserves from the Japanese side of the median line have gone unanswered.

#### Raised at High Levels

15. (C) Yokochi said Japan had raised this issue with the Chinese multiple times since June, including during a bilateral meeting between Prime Minister Aso and Premier Wen on the margins of the China-Japan-South Korea summit meeting in Fukuoka on December 13. According to Yokochi, Wen said the issue should be handled at the working level, but to date, despite repeated Japanese attempts, there has been no engagement from their Chinese counterparts. Yokochi said this issue had more to do with national pride than with the small amounts of oil and gas at stake. Japanese analysts conclude that the Chinese leadership is wary of taking a more accommodating public line for fear of provoking an anti-Japanese backlash.

16. (C) So far China's Tianwaitian drilling has not caused an uproar in Japan, though Yokochi said it was possible that the reconnaissance photos that revealed Chinese activity there had been leaked to the conservative Sankei newspaper for political effect. Yokochi emphasized that the drilling has not had a negative affect on the larger bilateral relationship, noting that it has not caused any meetings to be canceled or postponed.

#### Concern About Accidents

BEIJING 00000097 002 OF 002

17. (C) Yokochi confirmed that Japanese Maritime Self Defense Force aircraft regularly monitor the area. He was aware of the 2001 EP-3 incident in which a PLA Air Force fighter rammed a U.S. reconnaissance plane and said he was unaware of any provocative moves made by Chinese aircraft in reaction to the Japanese overflights. He stressed the need to resolve the territorial dispute to avoid any incidents.

18. (C) Yokochi said that the Japan desk at the MFA was generally good to work with but seemed to not be fully aware of Chinese activities in the disputed area. Yokochi said the most worrying aspect of this issue was that the MFA frequently seems to be out of the loop when the Chinese military engages in provocative behavior. Yokochi said that Japan remains worried that, without oversight from Chinese diplomats, a dangerous incident like the one that resulted from the November 2004 incursion by a Chinese nuclear submarine into Japanese territorial waters might occur.  
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